

Holding Period of Sharia and Conventional Bank's Stock in Indonesian Capital Market

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Abstract

This study aims at determining the differences in the holding period of sharia commercial banks and conventional commercial banks on the IDX. This study uses a purposive sampling method, and from the specified criteria, there were seven samples gained from 3 Islamic Commercial Banks and 4 Conventional Commercial Banks that meet the criteria and can be used as samples. The data used is in the form of daily reports obtained from the IDX website from 2018 until 2019. The results of this study show the differences in holding period in the Sharia Commercial Banks and Conventional Commercial Banks where holding period of conventional are longer than sharia. From the results of the study, it appears that investors are not faithful with Islamic stocks; investors consider the risks and benefits of investing.

Keywords: *Conventional Bank's Stock, Capital Market, Holding Period, Sharia Bank's Stock.*

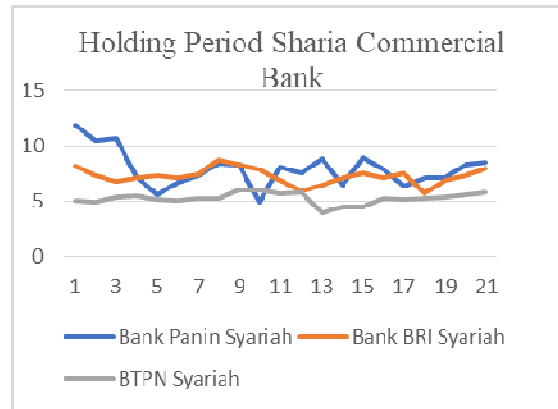
A. Introduction

The capital market is a market that trades financial instruments such as equities (stocks), debt securities (bonds) and mutual funds. The development of the capital market in Indonesia is currently implementing a dual system in which the Indonesian Islamic capital market sells conventional and Sharia-based financial instruments. Examples of Sharia stock instruments in the capital market consist of two types, the first is a conventional-based company but is indexed by Sharia, and the second is a Sharia business-based company such as a Sharia Commercial Bank.

For investors, investment is an investment activity in one or more investment instruments with the hope of obtaining a profit in the future. If an investor predicts that the shares in the company he buys will be profitable, then the investor will tend to hold his shares for a long period of time. On the other hand, if the shares purchased are not profitable, investors choose to release the shares (Chung & Wei, 2005). This is done to obtain the greatest gain from the investment and, at the same time to minimize the risk of low or below expectations.

After this Islamic Commercial Bank in Indonesia, the IPO holding period of Islamic commercial banks in January 2019 was around 12 to 5 days, as shown in Figure 1. Sharia Commercial Bank stock holdings experienced fluctuating conditions and tended not to be too long.

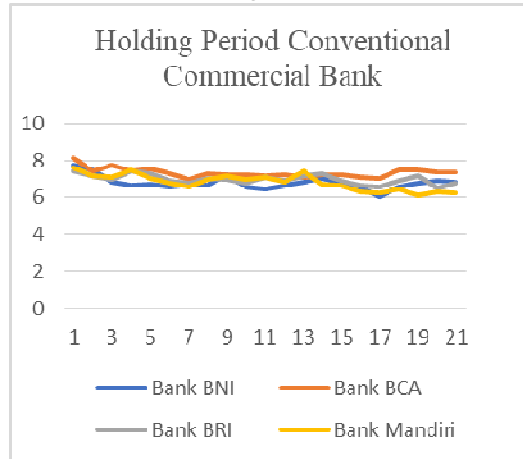
Figure 1 Fluctuations in Sharia Commercial Bank Share Holding Period



Source: processed data

While conventional commercial banks (BUK), investors hold their shares for a maximum of 8-6 days. The holding period can be seen in Figure 2, where the graph experiences conditions that fluctuate but slightly tend to be constant.

Figure 2 Fluctuations in Holding Period of Conventional Commercial Bank Shares



Source: processed data

In research (Adrianus&Soekarno, 2018), it is stated that profits can be obtained if investors can correctly predict the length of time they have the shares (holding). The results of research from (Atkins & Dyl, 1997) that the bid-ask spread affects the holding period, in which the smaller the bid-ask spread a company tends to have a shorter holding period if the bid-ask spread is higher, the holding period tends to be longer. However, it is different from the research conducted by (Ratnasari & Astuti, 2014a), which states that the bid-ask spread has no significant negative effect on the holding period.

At the moment, one year after the IPO of Islamic bank shares, investors tend to have the euphoria of buying shares and selling in the short term. They are then added to the sentiment of investors who are interested in Sharia shares which make stock trading more crowded (Renault, 2017). Research conducted by (Arma 2013) says that the return variance (risk) has a

negative and significant effect on the holding period. The stock holding period is getting shorter if it has a high stock return variance. In accordance with what is said by (Atkins & Dyl, 1997) which reveals that the greater the risk owned by the stock, the faster an investor will release their shares, and vice versa shares owned have a smaller risk of being held by a long-term investor.

A special holding period research for Islamic stocks was conducted by (Shakib 2016); (Fitriyah & Rahayu, 2013) and (N. Jawadi et al., 2020), but this study does not discuss shares of companies based on Sharia, such as shares of Islamic banks. Recent developments, since 2018 Islamic Bank which is a Sharia financial business-based company that has been indexed on the Indonesia Stock Exchange, many investors are enthusiastic about these shares.

Based on previous research, no one has specifically discussed the difference between holding periods for Islamic commercial banks and conventional commercial banks, so this study wants to discuss the differences between holding periods. This comparison of holding period for Islamic commercial banks and conventional commercial banks is to see how the holding period of Sharia shares is relatively new in the capital market and shares of conventional banks that have been in the Capital Market for a long time. This study is very important to determine the differences in investor behaviour in holding Islamic and non-Sharia investment instruments. The results of this study are expected to provide new information about the behaviour of investors towards shares of Islamic commercial banks compared to shares of conventional commercial banks.

B. Literature Review

Investment is a meaning of a word that comes from English, namely investment. The word invest is a basic word of investment, which has a meaning of investment. According to (Tandelilin, 2010) investment is a commitment to the expenditure of a number of funds or other resources owned by an investor or a company that is carried out at this time with the aim of obtaining a number of benefits in the future. Investment is a delay from current consumption to be included in productive assets for a certain period which is then used for future consumption (Saiti et al., 2014).

The definition of investment that has been presented above is an understanding of investment in conventional concepts. If Islam (Umirah&Masih, 2017) suggests that investment according to Islamic sharia is the sacrifice of resources owned in the present to obtain a definite result and with the hope of obtaining a greater result in the future. Either directly or indirectly, but still in accordance with the rules of Islamic sharia principles as a whole.

In simple terms, shares can be defined as certificates that show proof of ownership of the company, and shareholders have a claim on the income and assets of a company. (Ibrahim, 2015) stated that shares are evidence of participation in ownership of capital or funds in a company. Meanwhile, according to (Listyaningsih & Krishnamurti, 2016), shares are securities issued by companies in the form of limited liability companies or called issuers.

(Narayan & Bannigidadmth, 2017) says that a company issues shares and sells the rights of its own but only issues one class of common stock or often referred to as common stock. According to (Al-Khazali et al., 2014) suggests that shares are securities that state the asset income of a company.

The definition described above is the definition of conventional shares. Meanwhile, sharia shares are a form of ordinary shares that have special characteristics that have been controlled in terms of halalness in their scope of business. According to (Majdoub et al., 2016), what is meant by sharia shares is proof of ownership of a company whose type of business, goods, products, services provided, and contracts and methods of management do not conflict with sharia principles.

The holding period is the average length of time investors hold company shares for a period of time (Ratnasari & Astuti, 2014b). Investors' decision to hold their shares is influenced by many factors, such as bid-ask spread, variance return, and trading volume. When investing, an investor will always consider the risks that will be faced later in order to be able to get the maximum gain.

The investment period of a stock is different for each investor. An investor tends to hold his shares for a longer period of time if he predicts that the company's shares he buys can be profitable with the hope that the selling price of these shares will be higher in the future. On the other hand, investors will immediately release/sell the shares they bought if it is predicted that the share price will decline (Cao et al., 2018).

Based on the description of the theory above and previous research, the hypotheses in this study are:

Ho: There is no difference in the holding period of Islamic Commercial Banks indexed on the IDX.

C. Research Methodology

In this study, the type of research used is a quantitative research using a descriptive approach because, in this study, the data used or interpreted in the form of numbers. Quantitative research methods can be interpreted as research methods based on data that can be calculated to produce an interpretation (Sugiyono, 2015a; Trihendradi, 2009)

This study will examine the bid-ask spread of shares, stock returns, and trading volume on the holding period of shares in Islamic commercial banks indexed on the IDX. The analysis used in this study is multiple linear regression analysis using SPSS or the ordinary least square (OLS) model. This is done by researchers because researchers want to know the extent to which the independent variable affects the dependent variable.

Population and Sample

According to (Sugiyono, 2014) what is meant by population is an area of generalization consisting of several objects or subjects that have certain qualities and characteristics that are determined and studied, which will then be drawn a conclusion. In this study, the population is Islamic commercial banks indexed on the Indonesia Stock Exchange. Sampling in this study using the purposive sampling technique. The criteria for selecting the sample in this study are

Islamic Commercial Banks and Conventional Commercial Banks that have been listed on the Indonesia Stock Exchange and have the same market capital from 2018-2019.

Data collection. Data is a reflection of a variable that will be measured according to several classifications (Sugiyono, 2010). Data can be classified based on several criteria, for example, its nature, type, method of processing, source and time of collection. In the data collection procedure used in this research, the first is a literature study, which is a literature study, namely by collecting information, journals, literature reviews, and theories that have relevance to the same problem as the research. The two previous studies carried out in terms of research and review in general with the aim of obtaining information about the problems discussed in this study (Sugiyono, 2015b). Data collection, this research data obtained from secondary data that will be obtained from the official website of the Indonesia Stock Exchange, namely IDX or www.IDX.co.id.

Operational Definition. Holding period. Holding Period is a variable that gives an indication of the average length of time investors hold their shares.

$$Hld Prd = \frac{\text{Stocks on Circulation}}{\text{Trading Volume Transaction}}$$

Analysis Tools. Hypothesis testing in this study will be carried out using the Mann Whitney U Test method. The Mann Whitney U Test not only tests differences based on the mean but also tests differences based on the median or mean of the two groups. The Mann Whitney U test was carried out using the SPSS statistical application.

The interpretation of the results of the Mann Whitney test is as follows:

- 1 If the significance of the Mann Whitney U Test > 0.05 , then there is a difference between Islamic commercial banks and conventional commercial banks with respect to the holding period.
- 2 If the significance of the Mann Whitney U Test is ≤ 0.05 , there is no difference between Islamic commercial banks and conventional commercial banks with respect to the holding period.

D. Results And Discussion

1 Normality test

A normality test is generally done before testing the hypothesis. A normality test is used to determine that the research data written on the questionnaire is normally distributed or not. This test is useful for determining the method to be used in hypothesis testing. If the data is normally distributed, then the hypothesis testing uses a parametric test, namely the Independent t-test. Meanwhile, if the data is not normally distributed, then the hypothesis testing uses a non-parametric test, namely the Mann Whitney U Test. The method used to perform the normality test is the Kolmogorov-Smirnov test using SPSS, which compares the Asymptotic Significance with $= 0.05$. The Kolmogorov-Smirnov test method was chosen because the number of data in this study was more than 30.

The form of the hypothesis for the normality test is determined based on the following provisions:

- Ho is accepted if the probability >0.05 which, means that the data distribution is normal.
- Ho is rejected if the probability is ≤ 0.05 , which means that the data distribution is not normal.

Table 1 Normality Test Results

Variables	Group	Asymptotic Sig.	Critical Val	Information
Holding Period	Syariah	0,000	0,05	Not Normal
	Conventional	0,200	0,05	Normal

Source: SPSS data processing results

Table 1 above shows that there are results from this research data that are not normal, including in the sharia group. These results explain that the distribution of research data is not normal. This has an impact on determining the method used to test the hypothesis. According to (Sugiyono, 2015a) if the sample data is not normally distributed, then the method that will be used to test the hypothesis is the Mann Whitney U Test.

2 Hypothesis Test

Based on the test results using the Mann Whitney U Test method, it shows that there are differences in the holding period between Islamic Commercial Banks and Conventional Banks. The results of the Different Holding Period Test for Islamic Commercial Banks and Conventional Banks are shown in table 2

Tabel 2

Variabel	Mean Rank Syariah	Mean Rank Konvensional	Asymptotic Sig.	Keterangan
Holding Period	791.29	865.16	0,002	Hipotesis didukung

Source: Data processed with SPSS

Based on table 1 above, it can be seen that the Asymptotic Significant value of the holding period is $0.002 < 0.05$, which is the standard significance of the Mann Whitney U Test, therefore H_0 is rejected. This means that there are differences in the holding period of Islamic Commercial Banks and Conventional Commercial Banks.

3 Analysis

Based on the results of the different test based on the Mann Whitney U Test in table 1, it can be seen that the holding period of shares in Islamic commercial banks and conventional commercial banks indexed on the Indonesia Stock Exchange (IDX) has a

significant difference. This is because the Asymptotic Significant value of the holding period is $0.002 < 0.05$, which is the standard significance of the Mann Whitney U Test. Then, based on the average value, conventional commercial banks are bigger in terms of the holding period of their shares than Islamic commercial banks, with a value of 865.16 conventional commercial banks and 791.29 for Islamic commercial banks.

This difference is due to several factors, one of which is that investments in conventional commercial banks have a higher return or profit than Islamic commercial banks so that investors see good prospects in conventional banks and make investors tend to the holding shares of Conventional Commercial Banks longer.

In contrast to Islamic commercial banks which have a smaller or shorter average holding value than conventional commercial banks, this happens for several reasons. Investors in Islamic commercial banks tend to choose to get returns with capital gains. This is because taking advantage of the IPO moment that is being reported in the media so that investors try to take short-term profits with capital gains. The research of Narayan & Bannigidadmath (2017; Trichilli et al., (2020); which states that news about finance can have an impact on stock returns because investment decisions are influenced by the news so that later it will have an impact on the holding period of shares. According to Alqahtani & Boulanouar (2017), the moment of the Islamic stock IPO news has an impact on the demand for Syariah shares, and the status of this Islamic stock must be considered by issuers if they want to issue new shares to attract more investors. Furthermore, if investors have achieved their profits, investors will release BUS shares if they are deemed unprofitable. The results of this study are in line with the research of F. Jawadi et al. (2020), which states that investors' attention to Islamic stocks is strongly influenced by the returns obtained, if there is an opportunity to get profits in the short term, investors will sell these shares faster than waiting for stock returns in the future which is not certain.

E. Conclusion

Based on the results above, it can be concluded that the holding period of shares of Islamic commercial banks and conventional commercial banks has differences. Conventional commercial banks have a longer stock holding period than Islamic commercial banks. This is because the shareholders in conventional commercial banks consider that the shares of Conventional Commercial Banks have higher profits than Islamic Commercial Banks, so that they hold shares for longer. In contrast to Islamic commercial banks which have a smaller holding value than conventional commercial banks, because investors in Islamic commercial banks tend to get returns or capital gains in the short term by utilizing. In this case, the conclusion obtained is that Islamic stock investors also consider the advantages and risks of investing, not necessarily loyal to Islamic financial products.

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